

Insurers Use New, Enhanced Tools to Gain Ground in Fight Against Fraud

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It's tough to find much to be optimistic about when considering insurance-fraud statistics.

The National Insurance Crime Bureau (NICB) reports a record number of questionable claims in 2011. Consumer tolerance of fraud is also increasing, with the **Coalition Against Insurance Fraud (CAIF)** reporting that over the past 10 years, fewer Americans think it is unethical to inflate claims or misrepresent facts to gain coverage.

But even while insurers lose ground on the battlefield, they know they have to keep up the fight against fraud. Human investigation is indispensable to the effort, but a best-practices approach demands technology as well.

"You can't do fraud investigation without accessing data, without having tools to analyze data and without having analysts to use those tools," says Dennis Schulkins, claim consultant in State Farm's special investigations unit (SIU).

SOCIAL MEDIA & SURVEILLANCE CAMS: NEW TOOLS FOR DISCOVERY

"There needs to be more unstructured data analysis in fraud analysis—and by that, I mean claims-adjuster notes, data from the Web, data from social media," says Kimberly Harris-Ferrante, vice president and distinguished analyst at IT research and advisory company Gartner.

Social media has been a hot topic within SIUs in recent months. With nearly two-thirds of adults maintaining profiles on social-networking sites, mining social data for evidence of activity that contradicts a statement of injury or loss can be invaluable in preventing fraudulent claims from being paid.

"People are very quick to post all kinds of information and say some things [in social media] that they probably shouldn't have," says Mike Butler, commercial market SIU manager for Liberty Mutual.

About a year ago, Secura Insurance hired a dedicated social-media investigator. In one case, the insurer found that an individual claiming he could no longer golf had posted publicly on Facebook about being a member of the latest championship team at his country club. In another, a person claiming total disability posted pictures of himself riding a skateboard. In both instances, social-media data helped Secura resolve the case.

The proliferation of surveillance technology today has also been a boon to SIUs.

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**Coalition Against
Insurance Fraud**

"There are cameras everywhere. They aren't the silver bullet, but they do provide evidence," says Butler. In a recent case, Liberty Mutual was able to utilize traffic-camera images to prove that a person claiming to be injured in an accident was not in the vehicle.

OLD MODEL, FRESH APPLICATION

Despite the role of a surveillance camera in the aforementioned case, Liberty Mutual still gets more bang for its SIU buck from more traditional data-crunching and workflow technologies.

Like many carriers, it has a red-flag system to bring suspicious claims to adjusters' attention; the difference is that Liberty Mutual uses an internally built fraud model to set flags.

The company is understandably circumspect in how much detail it will reveal about its proprietary model, but it reports that it leverages its extensive book of Workers' Comp business to provide relevant data.

"Using [claim attributes] that are established red flags in the industry is just the start," says Steve Friedman, national director of special investigations for Liberty Mutual Agency Corp. "We use predictive modeling to create a model that is forever adapting, from first notice all the way through the life of the claim."

Gartner's Harris-Ferrante confirms that in today's environment, creating an effective fraud model is not a "set-it-and-forget-it"